

Nico Steel posts lower revenue for FY2020 amidst prolonged trade dispute

- Group continues to work closely with its eminent customers in the mobile communications, consumer electronics, hi-tech medical equipment, aerospace, and automotive parts industries, to provide customised and innovative metallurgical and material solutions to support their multi-functional mobile and electronic devices required for the impending 5G revolution

Key Financial Highlights:

FYE 29 Feb (US\$'000)	FY2020	FY2019 ⁽¹⁾	YoY Change
Revenue	14,009	15,094	- 7.2%
Gross profit	2,819	4,537	- 37.9%
<i>Gross profit margin</i>	<i>20.1%</i>	<i>30.1%</i>	<i>- 10.0 pp</i>
(Loss)/Profit before tax	(1,180)	469	N.M.
Net (loss)/profit ⁽²⁾	(1,377)	243	N.M.

Notes:

(1) FY2019 was for the financial year ended 28 February 2019.

(2) (Loss)/Profit attributable to the Owners of the Company.

FOR IMMEDIATE RELEASE

SINGAPORE, 28 April 2020 – Mainboard-listed Nico Steel Holdings Limited (“Nico Steel” and together with its subsidiaries, the “Group”), a metallurgical and materials solutions specialist, reported lower revenue of US\$14.0 million for the financial year ended 29 February 2020 (“FY2020”) amidst the protracted trade dispute between the United States and China, which started in July 2018, and the outbreak of the Coronavirus Disease 2019 (“COVID-19”) that led to the temporary closure of its operations in China in February 2020. These unprecedented challenges resulted in disruptions and delays in product development efforts and new product launches of hi-tech consumer products, which in turn lead to lower demand for the Group’s metallurgical and material solutions including the “NICO” branded metal alloy products. Consequently, the Group registered a net loss of US\$1.4 million for FY2020, a reversal from a net profit of US\$243,000 recorded in the prior year.

Revenue analysis by product segments

	FY2020		FY2019		YoY Change
	USD'000	% of revenue	USD'000	% of revenue	
Customised Solutions	11,626	83.0	10,865	72.0	+ 7.0%
NICO Brand of Metal Alloys	2,383	17.0	4,229	28.0	- 43.7%
	14,009	100.0	15,094	100.0	- 7.2%

Geographically, China remained as the key revenue contributor to the Group in FY2020, contributing 85.3% of the Group's revenue, an increase from 83.6% in FY2019. Revenue from Thailand increased from 11.7% in FY2019 to 13.2% in FY2020, while revenue from Malaysia reduced to 0.7% of the Group's revenue in FY2020.

As a result of lower revenue contribution from its higher-margin Nico brand of metal alloys in FY2020, gross profit declined by 37.9% from US\$4.5 million in FY2019 to US\$2.8 million in FY2020. Correspondingly, the gross profit margin decreased from 30.1% in FY2019 to 20.1% in FY2020.

Mr Danny Tan, Executive Chairman and President of Nico Steel said, **“While some of our customers are renowned global market leaders in communications and industrials sectors, the protracted trade dispute continues to weigh on our Group's performance as we operate mainly out of China. However, our earlier success with these customers, whose mobile devices and electronics products components comprise our customised metallurgical solutions and NICO branded alloys, have helped us establish our track record, and these customers are still working with us on their product development projects, albeit at a slower pace.**

With relentless marketing efforts, we are heartened to have opportunities to work with dominant Chinese mobile devices players on some of their new product development projects, using our proprietary brand alloys and materials solutions. While these projects are expected to take some time to reach the mass production stage, we believe the Group is on track to contribute to the revolutionary changes in mobile and electronic devices with our eminent customers.

The global COVID-19 pandemic, while exacerbating the global challenging business environment, is also driving us to adopt a new conventional lifestyle – telecommuting and virtual learning. The lockdowns of cities have led to an increase in demand for and usage of mobile devices including smartphones, laptops, and tablets. On top of that, we believe that demand for multi-functional mobile devices will be further boosted with the widespread adoption of the Internet of Things (“IoT”) as more countries roll out their 5G networks over the next few years. Hence, we remain committed to making ourselves relevant by innovating our services and solutions, and working closely with our customers to overcome these adversities and getting their products ready for the impending 5G trend.”

Financial Period Under Review

Interest income from banks increased from US\$1,000 in FY2019 to US\$32,000 in FY2020, while other income decreased by 7.7% from US\$26,000 in FY2019 to US\$24,000 in FY2020 due to the lower grant received by one of the Group's subsidiary in China in the year under review.

Total operating expenses including marketing and distribution, and administrative expenses, remained relatively stable at US\$3.8 million in FY2020. Marketing and distribution expenses decreased by 18.4% from US\$648,000 in FY2019 to US\$529,000 in FY2020, while administrative expenses increased by 3.3%

from US\$3.2 million in FY2019 to US\$3.3 million in FY2020. The increase was mainly due to the impairment loss on trade receivables of US\$133,000 in FY2020.

Other expenses decreased by 46.8% from US\$125,000 in FY2019 to US\$66,000 in FY2020, due to the decrease in foreign exchange loss as the Renminbi depreciated against the US dollar.

Finance costs increased by 20.2% from US\$163,000 in FY2019 to US\$197,000 in FY2020. The increase was mainly due to (i) the increase in interest rate on trade facilities in FY2020 for raw material purchases, and (ii) interest expense on lease liabilities with the adoption of SFRS(I) 16.

Taking into account the operational expenses, the Group reported a net loss of US\$1.4 million in FY2020, a reversal from a net profit of US\$243,000 in FY2019. Correspondingly, net asset value decreased from US\$16.7 million as at 28 February 2019 to US\$15.0 million as at 29 February 2020. The Group's balance sheet remains sound and it is currently in a net cash position.

Corporate Developments

The Group's wholly-owned subsidiary, Nico Steel Solutions (S) Pte Ltd has accepted the offer of a further 20-year lease from JTC Corporation for its production cum office premises located at 51 Loyang Way, Singapore, starting 01 January 2023 (the "**Lease Extension**"). The current premise has a land area of approximately 1,402.5m² and a built-up area of 913.0m², with an actual gross plot ratio of 0.65. Its current lease expires on 31 December 2022. The net book value of the property was approximately S\$1.8 million as at 29 February 2020.

Under the terms of the Lease Extension to 31 December 2042, the Group is committed to (i) develop the premises to a minimum gross floor area at the gross plot ratio of not less than 0.65, but not more than 2.50, and (ii) invest at least S\$460,000 in additional machinery and equipment within three-and-a-half years starting from early October 2019. The Group believes that the Lease Extension will provide continuity and stability, both financially and operationally.

"While our core manufacturing operations are overseas, to be in closer proximity to our customers, we remain committed to invest in and strengthen our Singapore operations, particularly in the area of R&D of our innovative and multi-functional metallurgical and material solutions. We believe this will allow Nico Steel to remain ahead of our competitors." Mr Tan added.

The Group will update shareholders should there be any material developments as and when appropriate.

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Note: This media release is to be read in conjunction with the Company's results announcement on the SGX website on the same date.

Nico Steel Holdings Limited 尼尔金属控股有限公司

(Stock Codes – SGX: 5GF | Bloomberg: NICO SP | Reuters: NICO.SI)

Nico Steel Holdings Limited (“Nico Steel” and together with its subsidiaries, the “Group”), is a metallurgical and materials solutions specialist with a focus on customising technologically innovative metal alloy materials and processes under its proprietary “NICO” brand.

The Group’s proprietary patented production technology allows it to customise metallurgical solutions to meet the evolving requirements of its broad base of customers, particularly in the mobile communications, consumer electronics, industrial and automotive sectors.

Well-established in the upstream metal materials industry, the Group drives growth through (i) providing customised solutions as value-added services to component and contract manufacturers to meet their metal fabrication requirements, and (ii) cultivating demand from brand owners and leaders of mobile communications, consumer electronics, industrial and automotive sectors for its NICO brand of specialised metal alloy materials that will meet the evolving and stringent requirements of new electronic mobile devices.

Headquartered in Singapore, the Group owns and operates processing and production facilities in Suzhou, China, and Thailand, while the production facility in Singapore acts as its R&D centre.

For more information, please visit the company’s website at www.nicosteel.com

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